

REPORT

DATE: October 2, 2003

TO: Administration Committee and Regional Council

FROM: Debbie Dillon, Supervising Human Resources Officer
213-236-1870 or dillon@scag.ca.gov

SUBJECT: Workers' Compensation Coverage

EXECUTIVE DIRECTOR'S APPROVAL:

Mark Proulx (K2J)
RECOMMENDED ACTIONS: Adopt Resolution No. 03-446-02 approving self-insurance of Workers' Compensation Coverage through the California Joint Powers Insurance Authority. Adopt Resolution No. 03-446-03 to cover volunteers in the self-insurance.

BACKGROUND: SCAG's Workers' Compensation coverage is currently provided by Zenith Insurance Company with a policy term of June 1, 2003 through May 31, 2004. During the renewal process for this coverage, for the second consecutive year SCAG received bids from only one insurance company. This year's bid was 65% more than the prior year, yet SCAG's claims experience was very low. The large increase is reflective of what many employers are facing in California. The premium for 2001/2002 was \$130,841. The premium for 2002/2003 was \$249,000. The premium for 2003/2004 is \$417,000. This drastic increase in cost with no option for competitive bids from the commercial insurance marketplace, prompted SCAG to investigate alternatives to traditional insurance coverage.

The California Joint Powers Insurance Authority (JPIA) was created in 1977 by a group of 33 progressive cities who joined together to form the JPIA. The current membership consists of 82 cities, 7 joint power authorities and two special districts. The members take an active role in determining the programs and services that will be provided. Council members, city managers, finance officers and risk managers all participate in setting the direction for the organization to ensure that it continues to be on the cutting-edge in serving the members.

The JPIA is the largest municipal self-insurance pool in the state and has been serving its members since 1978. The investment portfolio is over \$120 million. Funds are conservatively invested according to a policy reviewed and adopted annually by the Executive Committee. Each year the financial records are audited, and an independent actuarial evaluation of the reserves is conducted to ensure the continued financial ability of the JPIA to protect its members.

The JPIA requires that SCAG join the JPIA and participate in the liability program. The liability program, which includes property liability, errors and omissions and employment practices coverage, is a self-insured, loss-pooling program in which participating members benefit from sharing risk with other member agencies. Coverage is provided at \$50 million per occurrence. The program is retrospective in nature, utilizing a primary



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deposit at the beginning of the coverage period and a retrospective adjustment at the conclusion of the coverage period. The primary deposit is a calculated amount based on the prior experience of the member.

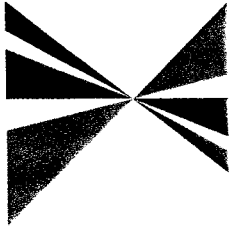
While the liability program is mandatory, the JPIA offers many other optional programs, including Workers' Compensation coverage. SCAG is primarily interested in this voluntary program, however, SCAG will benefit financially from joining the liability program as well. In addition, there are numerous risk management services and training programs that are included in the cost of the liability coverage.

In anticipation of being accepted for membership with the JPIA effective November 1, 2003, and subsequently changing the Workers' Compensation coverage from traditional insurance to self-insurance, the State of California requires that the Regional Council adopt a resolution to authorize and approve SCAG's decision to participate in self insurance and to file said resolution with the Department of Industrial Relations. The State also requires a resolution to cover volunteers. SCAG typically hires one or two volunteer interns per fiscal year. Adopting the resolution to cover volunteers would make Workers' Compensation the exclusive remedy and should protect SCAG from potential civil action taken by volunteers.

FISCAL IMPACT: Adopting this resolution and changing from traditional insurance to self-insurance for SCAG's liability and Workers' Compensation coverage will result in a cost savings of at least \$250,000 this fiscal year. It is anticipated that comparable savings will continue in future years.

RESOLUTION NO. 03-446-02

SOUTHERN CALIFORNIA



**ASSOCIATION of
GOVERNMENTS**

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Ventura County: Judy Mikels, Ventura County • Glen Becerra, Simi Valley • Carl Morehouse, San Buenaventura • Toni Young, Port Hueneme

Riverside County Transportation Commission: Robin Lowe, Hemet

Ventura County Transportation Commission: Bill Davis, Simi Valley

A RESOLUTION OF THE REGIONAL COUNCIL OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS, TO AUTHORIZE AND APPROVE SELF-INSURANCE OF WORKERS' COMPENSATION FOR ITS EMPLOYEES THROUGH THE SELF-INSURANCE AND LOSS POOLING PROGRAM OF CALIFORNIA JOINT POWERS INSURANCE AUTHORITY.

THE REGIONAL COUNCIL OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS, HEREBY DOES FIND AND RESOLVE AS FOLLOWS:

WHEREAS, pursuant to the provisions of Section 6500 et seq. and also Section 990.4 and 990.8 of the California Government Code, the CALIFORNIA JOINT POWERS INSURANCE AUTHORITY was created in 1977; and

WHEREAS, the Southern California Association of Governments has become a member of CALIFORNIA JOINT POWERS INSURANCE AUTHORITY, and also of its General Liability Program; and

WHEREAS, CALIFORNIA JOINT POWERS INSURANCE AUTHORITY has established and administered a successful Workers' Compensation Self-insurance and Loss Polling Program for its members since January 1, 1980; and

WHEREAS, there are significant financial and administrative advantages for the Southern California Association of Governments to provide workers' compensation coverage for its employees through the said Self-insurance and Loss Pooling Program of CALIFORNIA JOINT POWERS INSURANCE AUTHORITY.

NOW, THEREFORE, THE REGIONAL COUNCIL OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENT DOES HEREBY RESOLVE, ORDER AND DETERMINE THE FOLLOWING:

Section 1. Workers' compensation coverage for employees of the Southern California Association of Governments through the Workers' Compensation Self-insurance and Loss Pooling Program of CALIFORNIA JOINT POWERS INSURANCE AUTHORITY is hereby authorized and directed effective November 1, 2003.

Section 2. The Executive Director of the Southern California Association of Governments is authorized and directed to apply to the Department of Industrial Relations for a Certificate of Consent to Self-insure, and to take such other actions as be necessary to effectuate self-insurance of workers' compensation for the Southern California Association of Governments employees.

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Section 3. That an Initial Annual Workers' Compensation Deposit of \$230,097.00, or such pro-rata part thereof as the Authority might determine for coverage of less than a fiscal period, is approved and the appropriate officers of the Southern California Association of Governments are authorized to pay the same to the CALIFORNIA JPIA.

Section 4. That a Loss Retention level of \$10,000.00 per occurrence is approved for all employees.

Section 5. That the President shall sign and the Chief Counsel shall certify to the passage and adoption of this Resolution, and thereupon the same shall take effect and be in force.

Section 6. That the Chief Counsel is directed to forward a certified copy of this Resolution to CALIFORNIA JOINT POWERS INSURANCE AUTHORITY, 8081 Moody Street, La Palma, California 90623.

PASSED AND APPROVED by the Regional Council of the Southern California Association of Governments this 2nd day of October, 2003 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

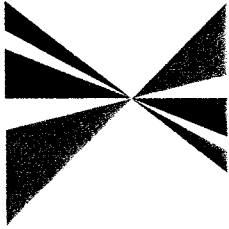
BEV PERRY
President

ATTEST:

KAREN TACHIKI, Chief Counsel

I hereby certify, under the penalty of perjury, that the above and foregoing is a true and correct copy of Resolution No. 03-446-02 as adopted by the Regional Council of the Southern California Association of Governments, on the 2nd day of October, 2003.

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A RESOLUTION OF THE REGIONAL COUNCIL OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS, PROVIDING WORKERS' COMPENSATION COVERAGE FOR CERTAIN SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS VOLUNTEERS PURSUANT TO THE PROVISIONS OF SECTION 3363.5 OF THE LABOR CODE.

WHEREAS, the Southern California Association of Governments finds its best interest will be served by utilizing volunteers in the provision of certain services; and

WHEREAS, said volunteers should be eligible for workers' compensation coverage while on duty;

NOW, THEREFORE, BE IT RESOLVED that the Regional Council of the Southern California Association of Governments does hereby:

1. Find and determine that the public interest is best served by providing workers' compensation coverage for Southern California Association of Governments volunteer workers as specified by the Executive Director; and

2. Provide eligibility for said volunteers for workers' compensation benefits which will be applicable during the time the person actually performs volunteer services, provided, however, that the rights of volunteers shall be limited as set forth in the Labor Code.

PASSED, APPROVED AND ADOPTED THIS 2nd day of October, 2003.

BEV PERRY
President

ATTEST: _____
KAREN TACHIKI, Chief Counsel